

Headquarters U.S. Air Force

Integrity - Service - Excellence

Housing Privatization Policy Update



**Major Scott Warner
HQ USAF/ILEHM
12 Feb 04**

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Background

- **Housing Privatization is a fluid program**
 - **Changes made as required at all levels - from Congress on down**
 - **Policy updated in order to comply with mandates from up the chain**
 - **Policy also updated when it makes good sense**
- **Briefing represents major shifts in policy since the last Lessons Learned conference (Nov 2002)**



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Out of Court Settlement

14 November 2002

- **ISSUE:**
DPG establishes goal of eliminating all inadequate housing by 2007; not supportable by AF POM FY04-09 submission

- **POLICY CHANGE:** Air Force proposed compromise:
 - Eliminate CONUS inadequate housing by 2007, except for Minot, Grand Forks, Mountain Home, Malmstrom
 - Eliminate remaining CONUS inadequates by 2008
 - Eliminate overseas inadequates by 2009
 - Increase MFH investment by \$1.1B from FY04 to FY07
 - Increase privatization to achieve end state of 60%

- **EFFECT:**
 - More aggressive approach to privatization
 - Generated other process improvements to reach goal



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Executive Review Policy Letter

17 November 2002

■ **ISSUE:**

AF conducted a Housing Privatization Executive Review in Aug 02; key policy changes issued Nov 02

■ **POLICY CHANGE:**

- **Default position for privatization projects is no loan guarantee**
- **No public announcement, direct or indirect, to release SSA selection until after Congressional notification period has ended and written approval given by ILEH**
- **DD1391 will document/control all privatization project changes**
 - **Scoring/scope changes of 15% or less require ILEH approval**
 - **Scoring/scope changes of 15-25% require ILE approval**
 - **Scoring/scope changes of more than 25% require SAF/IEI approval**
 - **Requests must be submitted by MAJCOM/CE**
 - **A marked-up 1391 must accompany the request**



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Executive Review Policy Letter

17 November 2002

■ POLICY CHANGE (cont):

- Projects required to use most current version of Generic RFP**
- The RFP modified to reflect that non-severable housing will be filled first with military families**
 - Severability is now a consideration, not a requirement**
- Grouping test case announced at Hurlburt/Eglin**
 - Program to be expanded to other areas where feasible**

■ EFFECT:

- Concentration on configuration control**
- Projects more acceptable to Congress, OSD**



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DoD Housing Requirements

8 January 2003

■ ISSUE:

Guidance issued by DoD required a change in the way AF calculates Housing Requirements; standardizes all services

■ POLICY CHANGE:

- Directed implementation of DoD Housing Requirements methodology**
 - Focuses on communities ability to absorb military personnel**

■ EFFECT:

- OSD would no longer accept AF privatization concepts based on old HMA model**
- Privatization put on hold for 6-8 months while ILEHD institutes mass HRMA studies at all AF bases**
- HRMA numbers were typically lower than HMA, resulting in housing surpluses at most bases**



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“Rent Up” and “Rent Down”

16 April 2003

- **ISSUE:**
MAJCOMs were interested in providing provision in their projects for members to “rent up” or “rent down” in housing privatization
- **POLICY CHANGE:**
 - Members can “rent up” by voluntarily paying more than their BAH (at the level the house is designated for)
 - Must sign statement that they recognize they are paying out of pocket for renting a unit above their bedroom/size requirement
 - Members can “rent down” but must pay their full BAH minus the utilities allowance
- **EFFECT:**
 - If units are available, members can choose to pay additional to rent a larger house
 - Members can not make money by voluntarily renting a house below their bedroom/size requirement



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Briefing Templates - ESG/OSD

28 May 2003

- **ISSUE:**
Difficulty with ESG/OSD comparing cross MAJCOM projects due to differing information provided

- **POLICY CHANGE:**
 - **Templates established for ESG/OSD concept briefings**
 - **Distributed to Housing Privatization personnel**
 - **Posted on AFCEE web page**

- **EFFECT:**
 - **Decreased difficulty in getting OSD concept approval**
 - **Less back-and-forth traffic between Air Staff and MAJCOMs to answer questions and provide details**



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90% Deficit Construction

7 July 2003

■ ISSUE:

Previous OSD guidance would only allow construction of up to 90% of identified housing deficit

■ POLICY CHANGE:

- Housing privatization projects can build up to 100% of the identified housing deficit**
 - OSD relaxed enforcement on privatized housing only**

■ EFFECT:

- Allows bases to build their entire deficit with housing privatization projects**



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Fire and Police Reimbursement

16 July 2003

■ ISSUE:

National Defense Authorization Act of 2003 required that any Fire and Policy services provided to a privatized housing community by the military be reimbursed

■ POLICY CHANGE:

- Both fire and police service costs determined by calculating a per unit cost based on average number of responses to an area and cost per response (manpower, equipment, supplies)**
- Housing fire satellite stations must be reimbursed for total cost of operating station per year, including facility maint**

■ EFFECT:

- Delayed a few projects while determining final methodology of calculating cost for services**
- Minor effect on the financials of most privatization projects**



Severability

8 September 2003

■ **ISSUE:**

Previous policy specified that only houses that could be separated or severed from the installation were eligible for privatization

■ **POLICY CHANGE:**

- **Consider all housing for privatization**
 - **Includes historic housing and General Officer's Quarters**
- **Must be economically feasible, consider Anti-Terrorism/Force Protection, and place limits on who can live in the non-severable portions**

■ **EFFECT:**

- **All previous bases not considered for privatization due to severability have been reconsidered for feasibility**
- **Emphasizes whole-base privatization projects**



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Child Nutrition Program

26 November 2003

■ ISSUE:

Dated policy excludes BAH from being considered as income for participation in School Lunch, Breakfast, Milk program. Exclusion expired 30 Sep 03

■ POLICY CHANGE:

- Legislation signed 26 Nov 03 that extends that exclusion until 31 Mar 04**
- ILEH waiting to see if Congressional action will be taken to continue that exclusion**

■ EFFECT:

- None; however, if the exclusion is not renewed, we will have military members who are eligible for the program become ineligible the day the privatization project is awarded**



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Use of Windfall

2 December 2003

■ ISSUE:

Windfall amounts captured during development stage are put into the Reinvestment account...perhaps not best use of funds

■ POLICY CHANGE:

■ Windfall amounts during development are injected into the project

- Increased Net Operating Income**
- Reduces the construction loan and ultimately the permanent financing**
- Reduces scoring and future cash flow to pay debt**

■ EFFECT:

- Results in increased reinvestment account deposits in the latter stages of the project when they are needed most**



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Partial DLA

10 December 2003

■ ISSUE:

JFTR regulations not clear if military members were eligible for partial DLA payments in regards to privatized housing

■ POLICY CHANGE:

- Partial DLA (\$544.96) to be paid when ordered to occupy or vacate government family-type quarters due to privatization, renovation, or convenience to the government (eff. 1 Jan 04)**
- Not paid for PCS, separation/retirement, voluntary move, divorce/family separation, misconduct, or convenience to the member**

■ EFFECT:

- Members who are asked to vacate MFH because of privatization (presumably because they refuse to sign a lease) must be paid a partial DLA**



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Add'l. Requirements Language

10 December 2003

■ ISSUE:

What do we do if we privatize a base, and in the future the housing requirement increases? How do we add scope to an awarded project?

■ POLICY CHANGE:

- Language inserted in the Generic RFP that allows for negotiations at some future point to add housing units**

- Not a requirement for the Government to use**
- Not a requirement for the developer to accept**

■ EFFECT:

- Offers the Air Force the ability to add housing in the future to an existing project**



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HP Policy Changes (Letter #1)

20 January 2004

■ **ISSUE:**

ILE to provide a summation of policy changes on a recurring basis...this was the first letter

■ **POLICY CHANGE:**

- Reinforcement of the 17 Nov 02 letter pertaining to approvals required for scope changes
- Successful offerors must provide rental insurance for all active duty military members residing in privatized housing
 - Comprehensive, replacement cost NLT \$20,000; \$250 deductible
- Requirement for Final Scoring Report NLT 10 duty days after negotiations and closing of housing privatization deals
- Offerors will not need to provide preliminary pro formas in Step 1 of the project solicitation process
- Costs for fire and police service will be estimated on an annual basis and collected from the developer on a monthly basis



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HP Policy Changes (Letter #1)

20 January 2004

- **POLICY CHANGE (cont):**
 - **Design reviews will no longer be required during the design phase of a privatization project**
 - **Provision to terminate offeror during design will be removed**
 - **Disputes will be resolved per dispute language in the documents**
 - **Developers will be required to provide an oral presentation during Step II of the selection process**
- **EFFECT:**
 - **Members who are asked to vacate MFH because of privatization (presumably because they refuse to sign a lease) must be paid a partial DLA**



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Government Direct Loan

28 January 2004

■ ISSUE:

Past projects shows developers submit proposals with ultra-conservative private sector financing and overly-creative government financing...difficulties obtaining OSD/OMB approval

■ POLICY CHANGE:

■ RFP will state the terms of the direct loan available

- Amount, interest rate, amortization period, number of tiers, etc.**
- Same terms as approved by the ESG during concept approval**
- No more than 2 interest rate tiers, no balloon payment**

■ Additional evaluation credit for using less than offered amount

■ Financial, Design & Construction, Property Management equal importance during Step 2 evaluation

■ EFFECT:

- Developers focus on obtaining quality private sources rather than manipulating government direct loan terms**



Pending Policy

- **Competition for private permanent financing**
 - **In development**
 - **Would require developers to obtain standardized financial proposals from 3 or more lenders**
 - **Intent is to instill competition into the private financing process and obtain more favorable terms**
- **Updates to AFIs**
 - **AFI 32-6002 - Family Housing Planning, Programming, Design and Construction**
 - **AFI 32-6007 - Privatized Family Housing**

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***I n t e g r i t y - S e r v i c e - E x c e l l e n
c e***

Questions?

Major Scott Warner

HQ USAF/ILEHM

(703) 604-4037

DSN 664-4037

scott.warner@pentagon.af.mil